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[Page 382-384]

TITLE 13--BUSINESS CREDIT AND ASSISTANCE

CHAPTER I--SMALL BUSINESS ADMINISTRATION

PART 124--8(A) BUSINESS DEVELOPMENT/SMALL DISADVANTAGED BUSINESS STATUS DETERMINATIONS--Table of Contents

Subpart A--8(a) Business Development

Sec. 124.520 Mentor/protégé program.

(a) General. The mentor/protégé program is designed to encourage approved mentors to provide various forms of assistance to eligible Participants. This assistance may include technical and/or management assistance; financial assistance in the form of equity investments and/or loans; subcontracts; and/or assistance in performing prime contracts with the Government in the form of joint venture arrangements. The purpose of the mentor/protégé relationship is to enhance the capabilities of the protégé and to improve its ability to successfully compete for contracts.

(b) Mentors. Any concern that demonstrates a commitment and the ability to assist developing 8(a) Participants may act as a mentor and receive benefits as set forth in this section. This includes businesses that have graduated from the 8(a) BD program, firms that are in the transitional stage of program participation, other small businesses, and large businesses.

(1) In order to qualify as a mentor, a concern must demonstrate that it:

- (i) Possesses favorable financial health, including profitability for at least the last two years;
- (ii) Possesses good character;
- (iii) Does not appear on the federal list of debarred or suspended contractors; and
- (iv) Can impart value to a protégé firm due to lessons learned and practical experience gained because of the 8(a) BD program, or through its general knowledge of government contracting.

(2) Generally, a mentor will have no more than one protégé at a time. However, the AA/8(a)BD may authorize a concern to mentor more than one protégé at a time where the concern can demonstrate that the additional mentor/protégé relationship will not adversely affect the development of either protégé firm (e.g., the second firm cannot be a competitor of the first firm).

(3) In order to demonstrate its favorable financial health, a firm seeking to be a mentor must submit its federal tax returns for the last two years to SBA for review.

(4) Once approved, a mentor must annually certify that it continues to possess good character and a favorable financial position.

(c) Protégés. (1) In order to initially qualify as a protégé firm, a Participant must:

- (i) Be in the developmental stage of program participation;
- (ii) Have never received an 8(a) contract; or
- (ii) Have a size that is less than half the size standard corresponding to its primary SIC code.

(2) Only firms that are in good standing in the 8(a) BD program (e.g., firms that do not have termination or suspension proceedings against them, and are up to date with all reporting requirements) may qualify as a protégé.

(3) A protégé firm may have only one mentor at a time.

(d) Benefits. (1) A mentor and protégé may joint venture as a small business for any government procurement, including procurements less than half the size standard corresponding to the assigned SIC code and 8(a) sole source contracts, provided both the mentor and the protégé qualify as small for the procurement and, for purposes of 8(a) sole source requirements, the protégé has not reached the dollar limit set forth in Sec. 124.519.

(2) Notwithstanding the requirements set forth in Secs. 124.105(g) and (h), in order to raise capital for the protégé firm, the mentor may own an equity interest of up to 40% in the protégé firm.

(3) Notwithstanding the mentor/protégé relationship, a protégé firm may qualify for other assistance as a small business, including SBA financial assistance.

(4) No determination of affiliation or control may be found between a protégé firm and its mentor based on the mentor/protégé agreement or any assistance provided pursuant to the agreement.

(e) Written agreement. (1) The mentor and protégé firms must enter a written agreement setting forth an assessment of the protégé's needs and describing the assistance the mentor commits to provide to address those needs (e.g., management and/or technical assistance, loans and/or equity investments, cooperation on joint venture projects, or subcontracts under prime contracts being performed by the mentor). The agreement must also provide that the mentor will provide such assistance to the protégé firm for at least one year.

(2) The written agreement must be approved by the AA/8(a)BD. The agreement will not be approved if SBA determines that the assistance to be provided is not sufficient to promote any real developmental gains to the protégé, or if SBA determines that the agreement is merely a vehicle to enable a non-8(a) participant to receive 8(a) contracts.

(3) The agreement must provide that either the protégé or the mentor may terminate the agreement with 30 days advance notice to the other party to the mentor/protégé relationship and to SBA.

(4) SBA will review the mentor/protégé relationship annually to determine whether to approve its continuation for another year.

(5) SBA must approve all changes to a mentor/protégé agreement in advance.

(f) Evaluating the mentor/protégé relationship. (1) In its annual business plan update required by Sec. 124.403(a,) the protégé must report to SBA for the protégé's preceding program year:

- (i) All technical and/or management assistance provided by the mentor to the protégé;
- (ii) All loans to and/or equity investments made by the mentor in the protégé;
- (iii) All subcontracts awarded to the protégé by the mentor, and the value of each subcontract;

- (iv) All federal contracts awarded to the mentor/protégé relationship as a joint venture (designating each as an 8(a), small business set aside, or unrestricted procurement), the value of each contract, and the percentage of the contract performed and the percentage of revenue accruing to each party to the joint venture; and

(v) A narrative describing the success such assistance has had in addressing the developmental needs of the protégé and addressing any problems encountered.

(2) The protégé must annually certify to SBA whether there has been any change in the terms of the agreement.

(3) SBA will review the protégé's report on the mentor/protégé relationship as part of its annual review of the firm's business plan pursuant to Sec. 124.403. SBA may decide not to approve continuation of the agreement if it finds that the mentor has not provided the assistance set forth in the mentor/protégé agreement or that the assistance has not resulted in any material benefits or developmental gains to the protégé.

